

REQUEST FOR PROPOSALS

**PROFESSIONAL AUDIT OF FINANCIAL STATEMENTS
FISCAL YEARS ENDING DECEMBER 31, 2006, DECEMBER 31,
2007 and DECEMBER 31, 2008**

East Coventry Township Board of Supervisors

Robert F. Preston, Chairman

W. Atlee Rinehart, Vice-Chairman

Jay Doering, Member

Timothy Roland, Member

Rosemarie Miller, Member

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1. INTRODUCTION

The East Coventry Township Board of Supervisors hereby requests proposals from certified public accountants to provide professional auditing services.

The firm appointed by the Board of Supervisors shall audit financial statements for the fiscal years ending December 31, 2006, December 31, 2007 and December 31, 2008. The audit is to occur during the first quarter of each year, per the time requirements of the Second Class Township Code. The audit is to be performed in accordance with The Second Class Township Code, generally accepted auditing standards, and if required, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards (2003 revision) and the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133 (latest revision), Audits of States, Local Governments and Non-Profit Organizations. This is to be a three-year audit proposal, and the Township reserves the right to extend the audit and auditing services contract for up to three additional years.

There is no expressed or implied obligation for the Township to reimburse responding firms for any expenses incurred in preparing and submitting proposals in response to this request.

Proposals are due 3:00 p.m., Friday, October 27, 2006. Seven (7) copies of the proposal shall be forwarded to the attention of Casey LaLonde, Township Manager. The Township reserves the right to reject any and all proposals submitted.

During the evaluation process, the Township reserves the right to request additional information or clarifications for each proposal received, or to allow corrections of clerical errors or omissions. At the discretion of the Township, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

2. NATURE OF SERVICES REQUIRED

A. General

The Township continues to experience unprecedented growth in subdivision and land development projects. The most substantial change in the near and long term is the implementation of public sanitary sewer service to portions of the Township. This implementation will result in increased Township revenues and expenditures.

The Township complies with GASB 34 accounting standards.

The Township is seeking the services of a qualified firm of certified public accountants to audit the financial statements of the Township.

B. Scope of Work

Part One

The Township desires the auditor to express an opinion on the fair presentation of their basic financial statements in conformity with generally accepted accounting principles and auditing standards set forth in this request.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board.

The following would apply to all aspects of each Township fund:

Audit Revenues and Receipts

- Make tests to determine money collected has been turned over to the treasurer promptly and intact, in accordance with laws, ordinances or regulations, and has been credited to the proper fund or account.
- Determine all money received by the treasurer has been deposited promptly and intact to the credit of the Township.
- Test the accuracy of cash receipts records, noting whether cash or its equivalent in current funds has been received for receipts issued.
- Test cash transactions between funds, between the Township and other governmental jurisdictions.
- Review the authority for all cancellations, remissions, adjustments or abatements.
- Review general journal entries involving revenues and receipts.
- Make recommendations for improvement.

Audit Expenditures and Disbursements

- Determine whether expenditures were properly authorized and incurred and are charged to the proper fund or account.
- Determine expenditures are supported by itemized invoices, vouchers, contracts or other supporting documents approved by the proper officials, and are marked so they cannot be used again.
- Determine whether disbursements were made by checks, properly signed, for authorized purposes.
- Scrutinize the endorsements and cancellations on checks and warrants.
- Test the mathematical accuracy of disbursement records.
- Make recommendations for improvement.

C. Auditing Standards

To meet the requirement of this request for proposals, the audit shall be performed in accordance with The Second Class Township Code, generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, and if required, the standards for financial audits set forth in the U. S. General Accounting Office's Government Auditing Standards (2003 revision) and the provisions for the Single Audit Act Amendments of 1996 and the provisions of U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

D. Reports to be Issued

1. A report on the fair presentation of the financial statements in conformity with The Second Class Township Code generally accepted accounting principles. If such a report is not possible the auditors should immediately notify the Board of Supervisors as to the reasons.
2. A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
3. A report on compliance with applicable laws and regulations.
4. Combined Balance Sheet – All Fund and Account Groups
5. Statement of Revenues, Expenditures and Changes in Fund Balance.
6. Ten-Year Historical Trend Information on the Uniform and Non-Uniform Employee Pension Plans.
7. Commonwealth of Pennsylvania, Department of Community and Economic Development – Annual Audit and Financial Reports.

E. Publish Financial Statement

The auditor shall prepare a concise financial statement of the Township for a one-time publication in The Pottstown Mercury in accordance with The Second Class Township Code. The Township shall make arrangements for publication.

F. Irregularities and Illegal Acts

The auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which the auditor becomes aware to the following parties:

Board of Supervisors
Township Solicitor

The auditor shall inform the East Coventry Township Board of Supervisors of each of the following:

- The auditor's responsibilities under generally accepted auditing standards.
- Significant accounting policies.
- Management judgments and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues discussed with management prior to retention.
- Difficulties encountered in performing the audit.

G. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the Township of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

Township.

U. S. General Accounting Office (GAO).

Auditors of entities of which Township is a sub-recipient of grant funds.

In addition, the auditor shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing account significance.

Part Two

The Township conforms to the GASB 34 reporting functions and accounting standards as of January 1, 2004. The Township requires the auditor to convert the internal books and records to comply with GASB 34 guidelines and may include the additional cost of conversion in the overall proposal price.

3. DESCRIPTION OF THE GOVERNMENT

A. Contact

The auditor's principal Township contact shall be Casey LaLonde, Township Manager, or other representative designated by the Board of Supervisors.

B. Fund Structure

The Township uses the following fund types in its financial reporting:

1. General Fund
2. Capital Reserve Fund
3. Liquid Fuels/Highway Aid Fund
4. Traffic Impact Fee Fund
5. Sewer Fund
6. Police Safety Programs Fund

The Liquid Fuels/Highway Aid Fund is fully funded by revenues provided by the Commonwealth of Pennsylvania and is also audited by the Office of the Auditor General and by the Department of Transportation.

4. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Staff Assistance

Township staff will be available during the audit to assist the auditor by providing information, documentation, and explanations. A reasonable amount of hours of staff support will be made available to the auditor for the preparation of routine letters and memoranda, if necessary and required by the auditor, and so stated in the auditor's proposal.

B. Financial Statement Preparation

The preparation, editing, printing and publishing of financial statements and reports shall be the responsibility of the auditor. At completion, the firm shall submit eight (8) bound originals of the statement and report and one (1) unbound original.

C. Graph Presentation

The auditor shall include a minimum of three graphs, at the mutual selection of the Township and the auditor, with the Financial Statements and Reports. These graphs will highlight important financial trends in the Township.

5. TIME REQUIREMENTS

At a day and time acceptable to both the Township and the auditor, a meeting shall take place prior to the start of the audit. This meeting will provide an opportunity for the auditor to meet the Township staff and provide a written list of documents the auditor will require in order to complete the tasks outlined in the proposal. In addition, a risk evaluation will occur to determine the significant risk exposures to be examined during the audit.

6. PROPOSAL REQUIREMENTS

A. Not to Exceed Price Proposal

The proposal shall contain all pricing information, set forth in an all-inclusive maximum price, relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price shall contain all direct and indirect costs including all out-of-pocket expenses.

B. Understanding and Approach

A narrative must be included to demonstrate the auditor's understanding of the work to be performed, the schedule and phasing, and approach to the audit.

7. NOTICE TO CONTRACTORS AND EVALUATION PROCEDURES

A. Informality of Proposals and Acceptance, Rejection or Selection of Items

The Board of Supervisors expressly reserves the right to reject any and or all proposals, to waive any informalities or irregularities in the proposals received, and to accept that proposal which is in the best interest of the Township.